

BENDLE PUBLIC SCHOOLS
BURTON, MICHIGAN
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2004

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Lewis & Knopf CPAs, P.C.

"Serving You with Trust and Integrity"

September 2, 2004

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Bendle Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bendle Public Schools, as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bendle Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bendle Public Schools as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated September 2, 2004 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages II - VIII and 17 are not required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bendle Public Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BENDLE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Bendle Public Schools, a K-12 school District located in Genesee County, Michigan, is in its second year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Bendle Public Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2004.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

BENDLE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

District Wide Financial Statements: (Continued)

These two statements report the Bendle Public Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Current Assets	\$5,452,103	\$5,032,005
Non-Current Assets	<u>1,600,629</u>	<u>1,711,830</u>
<u>TOTAL ASSETS</u>	<u><u>\$7,052,732</u></u>	<u><u>\$6,743,835</u></u>
<u>LIABILITIES</u>		
Current Liabilities	\$1,313,809	\$1,232,765
Long-Term Liabilities	<u>951,234</u>	<u>1,036,298</u>
Total Liabilities	\$2,265,043	\$2,269,063
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	721,518	747,719
Restricted - Debt Service	51	75
Restricted - Capital Projects	107,534	55,260
Unrestricted	<u>3,958,586</u>	<u>3,671,718</u>
Total Net Assets	<u><u>\$4,787,689</u></u>	<u><u>\$4,474,772</u></u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u><u>\$7,052,732</u></u>	<u><u>\$6,743,835</u></u>

BENDLE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2004 and 2003, the District wide results of operations were:

	<u>2004</u>	<u>2003</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$781,957	\$728,530
Property Taxes Levied for Capital Projects	171,795	167,249
State of Michigan Unrestricted Foundation Aid	9,033,563	9,489,355
Other General Revenues	<u>212,953</u>	<u>302,671</u>
Total General Revenues	\$10,200,268	\$10,687,805
<u>Operating Grants:</u>		
Federal	1,432,169	1,799,161
State of Michigan	1,010,022	1,433,459
Other	<u>166,077</u>	<u>181,270</u>
Total Operating Grants	\$2,608,268	\$3,413,890
<u>Charges for Services:</u>		
Food Service	130,687	136,944
Athletics	32,801	28,796
Other Charges for Services	<u>139,220</u>	<u>188,149</u>
Total Charges for Services	\$302,708	\$353,889
Total Revenues	\$13,111,244	\$14,455,584
<u>EXPENSES</u>		
Instruction & Instructional Support	7,971,357	8,479,990
Support Services	4,133,654	4,357,331
Food Service	375,912	354,642
Athletics	212,958	204,544
Interest on Long-Term Debt	40,312	43,774
Depreciation	<u>64,134</u>	<u>55,312</u>
Total Expenses	\$12,798,327	\$13,495,593
<u>INCREASE IN NET ASSETS</u>	\$312,917	\$959,991
<u>BEGINNING NET ASSETS</u>	<u>4,474,772</u>	<u>3,514,781</u>
<u>ENDING NET ASSETS</u>	<u><u>\$4,787,689</u></u>	<u><u>\$4,474,772</u></u>

BENDLE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2004, the District's Total Net Assets increased by \$312,917 to a total of \$4,787,689. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) decreased by \$26,201 during the year due to depreciation and principal payments on related debt exceeding purchases of new capital assets. The districts Unrestricted Net Assets increased by \$286,868 during the year and the restricted portion of the net assets increased by \$52,250. The restricted Net Assets consist of the Investment in Capital Assets-net of related Debt, the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The district's overall revenues exceeded its expenses for the year by \$312,917. The total revenues decreased by \$1,344,340. The major change was a reduction in state aid and also reductions in federal dollars awarded through Title I, Title IID, and Title V. Also, anticipated funds were carried over for the 2004-05 school year. Expenditures decreased by \$697,266. Major changes in expenditures included the delay of purchases, services, and staffing.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund increased by \$286,606 during the year with the increase coming primarily from a increase in cash. Revenues for the year decreased by \$1,369,178 primarily from a decrease in state aid and other federal programs. Expenditures and other financing uses decreased by \$744,694, which was primarily the result of delays in purchasing goods, services and additional staffing. The major source of general fund revenues is state aid and taxes. An analysis of the sources is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 80 percent of current year's fall count and 20 percent of prior year's winter count
- c. The District's non-homestead tax levy

2. Per Student Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Bendle Public Schools foundation allowance was \$6,700 per student for the 2003-2004 school year, the same as the prior year. The foundation allowance was decreased by \$74 per student from \$6,700 to \$6,626 as the result of an executive order by the governor.

BENDLE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

3. Student Enrollment:

The District's student enrollment for the fall count of 2003-2004 was 1,499 students. A decrease of 58 students from the prior year.

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 17.8776 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2003-2004 fiscal year was \$781,957. This represents an increase of \$53,427 from the prior year.

Capital Projects Sinking Fund

The districts capital projects sinking fund balance increased by \$52,274. Sinking fund taxes levied are the primary source of revenue in the fund and they increased by \$4,546 from the previous year. Expenditures which are restricted for construction projects decreased by \$19,949 from the prior year.

Property Taxes Levied For Capital Projects (Sinking Fund)

The District's capital projects fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2003-2004, the District's sinking fund millage levy was 1.9601 mills that generated revenue of \$171,795. An increase of \$4,703 from the prior year.

Debt Retirement Fund

The districts debt retirement fund balance decreased by \$24. The fund balance is restricted to use for payments on bonded debt. The funds had expenditures of \$120,034 in paying the required interest and principal payments of the school's bonded debt. The majority of the fund's revenue is derived from transfers from the sinking capital projects fund.

Special Revenue Funds

The districts special revenue funds provide food service and athletic opportunities to students. During the year the fund balances increased by \$4,659. Food service fund revenue decreased by \$17,828, primarily from a reduction in revenues generated at the building levels. Athletic fund revenue decreased by \$13,082, primarily from a reduction in transfers from the general fund.

BENDLE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final Budget %
Revenue	\$13,978,744	\$12,830,190	\$12,470,067	(0.08)	(2.81)
Expenditures	<u>13,541,259</u>	<u>12,806,283</u>	<u>12,183,461</u>	(0.05)	4.86
<u>TOTAL</u>	<u>\$437,485</u>	<u>\$23,907</u>	<u>\$286,606</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Bendle Public Schools amends its budget during the school year. The June, 2004 budget amendment was the final budget for the fiscal year.

Original vs. Final Budgets

Revenues

Variances in the revenue resulted from several factors. The reduction of state aid, federal support, anticipated grants, and the loss of enrollment significantly impacted the revenues generated by the district. The loss of state aid alone accounted for a reduction in the amount of \$567,127.

Expenditures

Variances in expenditures were created by the elimination of programs, staff, and deferred expenditures due to a reduction in funding.

Actual Results vs. Final Budgets

Revenues

Variances in the final budget and actual revenues occurred as a result two things. (1) food service revenue was recorded as revenue in the general fund and (2) funds were deferred to the 2004-05 schools which also lowered actual revenues. This was an oversight and has been corrected. Since it was an in and out procedure between revenues and expenditures there was no negative impact.

Expenditures

Variances in expenditures were the result of delays in procurement of goods, services and other anticipated purchases and also, food service funds being transferred from general fund to food service and recorded as expenditures.

This was an oversight and has been corrected. Since it was an in and out procedure between revenues and expenditures there was no negative impact. Other anticipated expenditures were deferred to the ensuing year also creating a variance.

BENDLE PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-03	Increases 6-30-04	Principal Payments 6-30-04	Principal Balance 6-30-04
Durant Bonds	\$129,111	\$0	\$0	\$129,111
2001 Building & Site Bonds	835,000	0	85,000	750,000
Sick Days Payable	157,187	4,936	0	162,123
<u>Total Long-Term Debt</u>	<u>\$1,121,298</u>	<u>\$4,936</u>	<u>\$85,000</u>	<u>\$1,041,234</u>

B. Capital Assets

The district's net investment in capital assets decreased by \$111,201 during the fiscal year. This can be summarized as follows:

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
Capital Assets	\$5,204,243	\$59,910	\$0	\$5,264,153
Less: Accumulated Depreciation	(3,492,413)	(171,111)	0	(3,663,524)
<u>Net Investment Capital Outlay</u>	<u>\$1,711,830</u>	<u>(\$111,201)</u>	<u>\$0</u>	<u>\$1,600,629</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Bendle Public Schools.

BENDLE PUBLIC SCHOOLS
STATEMENTS OF NET ASSETS
JUNE 30, 2004 AND 2003

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$3,532,641	2,978,963
Accounts Receivable	64,797	26,971
Due from Other Governmental Units	1,846,696	2,016,776
Inventory	7,969	9,295
Total Current Assets	<u>\$5,452,103</u>	<u>\$5,032,005</u>
<u>NON-CURRENT ASSETS</u>		
Capital Assets	5,264,153	5,204,243
Less: Accumulated Depreciation	<u>(3,663,524)</u>	<u>(3,492,413)</u>
Total Noncurrent Assets	<u>\$1,600,629</u>	<u>\$1,711,830</u>
<u>TOTAL ASSETS</u>	<u>\$7,052,732</u>	<u>\$6,743,835</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	428,125	375,181
Accrued Expenses	270,153	282,191
Salaries Payable	525,531	490,393
Current Portion of Long-Term Obligations	90,000	85,000
Total Current Liabilities	<u>\$1,313,809</u>	<u>\$1,232,765</u>
<u>NON-CURRENT LIABILITIES</u>		
Noncurrent Portion of Long-Term Obligations	<u>951,234</u>	<u>1,036,298</u>
<u>TOTAL LIABILITIES</u>	<u>\$2,265,043</u>	<u>\$2,269,063</u>
<u>NET ASSETS</u>		
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	721,518	747,719
Restricted for:		
Debt Service	51	75
Capital Projects	107,534	55,260
Unrestricted	<u>3,958,586</u>	<u>3,671,718</u>
<u>TOTAL NET ASSETS</u>	<u>\$4,787,689</u>	<u>\$4,474,772</u>

See accompanying notes to the basic financial statements.

BENDLE PUBLIC SCHOOLS
STATEMENTS OF ACTIVITIES
JUNE 30, 2004 AND 2003

FUNCTIONS/PROGRAMS	2004			2003	
	Expenses	Program Revenues		Net (Expense) Revenue & Change in Net Assets	Net (Expense) Revenue & Change in Net Assets
		Charges For Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$7,971,357	\$0	\$2,189,797	(\$5,781,560)	(\$5,791,934)
Support Services	4,133,654	139,220	120,380	(3,874,054)	(3,720,691)
Food Service	375,912	130,687	298,091	52,866	59,645
Athletics	212,958	32,801	0	(180,157)	(175,748)
Interest on Long-Term Obligation	40,312	0	0	(40,312)	(43,774)
Depreciation - Unallocated	64,134	0	0	(64,134)	(55,312)
<u>TOTALS</u>	<u>\$12,798,327</u>	<u>\$302,708</u>	<u>\$2,608,268</u>	<u>(\$9,887,351)</u>	<u>(\$9,727,814)</u>
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes				953,752	895,779
State Aid				9,033,563	9,489,355
Grants and Contributions Not Restricted to					
Specific Programs				91,592	221,813
Investment Earnings				16,004	21,735
Miscellaneous				105,357	59,123
Total General Revenues and Transfers				<u>\$10,200,268</u>	<u>\$10,687,805</u>
Change in Net Assets				<u>\$312,917</u>	<u>\$959,991</u>
Net Assets - Beginning - As Restated				<u>4,474,772</u>	<u>3,514,781</u>
<u>Net Assets - Ending</u>				<u>\$4,787,689</u>	<u>\$4,474,772</u>

See accompanying notes to the basic financial statements.

BENDLE PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$3,159,909	\$372,732	\$3,532,641
Accounts Receivable	64,797	0	64,797
Due from Other Funds	0	47,715	47,715
Due from Other Governmental Units	1,846,696	0	1,846,696
Inventory	0	7,969	7,969
<u>TOTAL ASSETS</u>	<u>\$5,071,402</u>	<u>\$428,416</u>	<u>\$5,499,818</u>
<u>LIABILITIES</u>			
Accounts Payable	\$387,026	\$41,099	\$428,125
Due to Other Funds	47,715	0	47,715
Accrued Expenses	264,875	0	264,875
Salaries Payable	525,531	0	525,531
Total Liabilities	\$1,225,147	\$41,099	\$1,266,246
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	0	7,969	7,969
Debt Retirement	0	51	51
Capital Projects	0	107,534	107,534
Unreserved:			
Undesignated, Reported In:			
General Fund	3,846,255	0	3,846,255
School Service Funds	0	271,763	271,763
Total Fund Balances	<u>\$3,846,255</u>	<u>\$387,317</u>	<u>\$4,233,572</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$5,071,402</u>	<u>\$428,416</u>	<u>\$5,499,818</u>

See accompanying notes to the basic financial statements.

BENDLE PUBLIC SCHOOLS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total Governmental Fund Balances:			\$4,233,572
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$5,264,153 and the accumulated depreciation is \$3,663,524			1,600,629
Accrued Interest on Long-Term Debt			(5,278)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
Bonds Payable		\$879,111	
Sick Days Payable		162,123	
Total Long-Term Liabilities			<u>(1,041,234)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>			<u>\$4,787,689</u>

BENDLE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<u>REVENUES</u>			
Local Sources	\$1,096,504	\$343,086	\$1,439,590
State Sources	10,028,849	14,736	10,043,585
Federal Sources	1,148,814	283,355	1,432,169
Total Revenues	\$12,274,167	\$641,177	\$12,915,344
<u>EXPENDITURES</u>			
Current:			
Instruction	7,920,597	0	7,920,597
Student Services	804,655	0	804,655
Instructional Support	441,194	0	441,194
General Administration	293,531	0	293,531
School Administration	808,309	0	808,309
Business Administration	199,491	0	199,491
Operation & Maintenance of Plant	1,069,591	0	1,069,591
Transportation	190,289	0	190,289
Support Services - Other	19,839	0	19,839
Food Service	0	638,451	638,451
Debt Service	0	120,034	120,034
Capital Outlay	0	93	93
Total Expenditures	\$11,747,496	\$758,578	\$12,506,074
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	\$526,671	(\$117,401)	\$409,270
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(174,310)	174,310	0
Other Transfers	(65,755)	0	(65,755)
Total Other Financing Sources (Uses)	(240,065)	174,310	(65,755)
Net Change in Fund Balance	\$286,606	\$56,909	\$343,515
<u>FUND BALANCE - BEGINNING</u>	3,559,649	330,408	3,890,057
<u>FUND BALANCE - ENDING</u>	\$3,846,255	\$387,317	\$4,233,572

See accompanying notes to the basic financial statements.

BENDLE PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Total net change in fund balances - governmental funds	\$343,515
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(111,201)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	85,000
Change in accrued interest on long-term liabilities	539
Increase in accrued compensated absences	<u>(4,936)</u>
<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u>\$312,917</u>

BENDLE PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004

	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$127,080</u>
<u>TOTAL ASSETS</u>	<u>\$127,080</u>
 <u>LIABILITIES</u>	
Due to Student Groups	<u>\$127,080</u>
<u>TOTAL LIABILITIES</u>	<u>\$127,080</u>

See accompanying notes to the basic financial statements.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Bendle Public Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Sinking Capital Projects Fund

The Sinking Capital Projects Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District audits of Bonded Construction Funds and of Sinking Funds in Michigan. Voters in the School District authorized 1.9812 mills on April 23, 2002 for ten years to be used for school facility improvements by the School District. The District is currently using this millage to pay the principal and interest payments due for the 2001 Building and Site bonds.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS (Continued)

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2004, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits - The Board of Education authorized the following financial institutions for the deposit of the District's funds for the year ended June 30, 2003: Citizens Banking Corporation, Flint, Michigan. The Board also authorized the business office to invest funds with financial institutions that gave the maximum interest rate of return upon receipt of quotes.

The District's deposits are in accordance with statutory authority.

At June 30, 2004, the carrying amount of the School District's deposits was \$3,659,721 and the bank balance was \$3,662,728. \$100,661 of the bank balance was covered by federal depository insurance and \$3,562,067 was uninsured and uncollateralized.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

4) DEPOSITS AND INVESTMENTS (Continued)

Investments - The School District's investments are required to be categorized to give an indication of the level of risk assumed by the District at June 30, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent but not in the School District's name.

The District had no investments at June 30, 2004.

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2004, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 1,817,174
Federal Grants	29,522
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 1,846,696</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2004, the School District had \$20,917 in estimated claims in conjunction with the program.

8) SHORT-TERM DEBT

The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2004.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2003</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2004</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$3,833,026	\$34,530	\$0	\$3,867,556
Land Improvements	385,193	0	0	385,193
Equipment and Furniture	683,745	25,380	0	709,125
Vehicles	<u>302,279</u>	<u>0</u>	<u>0</u>	<u>302,279</u>
Totals at Historical Cost	\$5,204,243	\$59,910	\$0	\$5,264,153
Less: Accumulated Depreciation				
Buildings and Improvements	(2,640,926)	(51,499)	0	(2,692,425)
Land Improvements	(178,339)	(14,765)	0	(193,104)
Equipment and Furniture	(478,808)	(77,438)	0	(556,246)
Vehicles	<u>(194,340)</u>	<u>(27,409)</u>	<u>0</u>	<u>(221,749)</u>
Total Accumulated Depreciation	<u>(\$3,492,413)</u>	<u>(\$171,111)</u>	<u>\$0</u>	<u>(\$3,663,524)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$1,711,830</u>	<u>(\$111,201)</u>	<u>\$0</u>	<u>\$1,600,629</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 50,760
Support Services	45,888
Food Service	1,955
Athletics	8,374
Unallocated	<u>64,134</u>
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 171,111</u>

10) GENERAL LONG-TERM DEBT

A) Durant Resolution Package Bonds

Bendle Public Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$202,096 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2004 was \$129,111. The legislature refinanced the repayment schedule during the year ended June 30, 2003.

B) Bendle Public Schools issued 2001 general obligation - limited tax bonds for the purpose of renovating South Bendle Elementary and expand the existing parking lot.

The bonds are dated May 1, 2001 in the aggregate amount of \$990,000 and require annual payments of principal and interest. The interest rates range from 3.60% to 4.50% per annum. The principal balance at June 30, 2004 was \$750,000.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

10) GENERAL LONG-TERM DEBT (Continued)

C) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2004 are as follows:

	BONDS PAYABLE	INTEREST	TOTAL
June 30, 2005	\$90,000	\$31,670	\$121,670
June 30, 2006	104,782	32,570	137,352
June 30, 2007	110,246	28,304	138,550
June 30, 2008	152,235	39,996	192,231
June 30, 2009	126,247	18,795	145,042
June 30, 2010-2013	295,601	22,693	318,294
<u>TOTAL</u>	<u>\$879,111</u>	<u>\$174,028</u>	<u>\$1,053,139</u>

The payment dates of sick and longevity days payable is undeterminable. The interest expenditures on long-term obligations for the year ended June 30, 2004, was \$34,900.

D) Changes in General Long-Term Debt

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004	AMOUNT DUE IN ONE YEAR
<u>Governmental Activities:</u>					
Durant Bonds	\$129,111	\$0	\$0	\$129,111	\$0
2001 Building & Site Bonds	835,000	0	85,000	750,000	90,000
Sick Days Payable	157,187	4,936	0	162,123	0
<u>Total Governmental Activities</u>	<u>\$1,121,298</u>	<u>\$4,936</u>	<u>\$85,000</u>	<u>\$1,041,234</u>	<u>\$90,000</u>

11) INTERFUND ACTIVITY

Interfund balances at June 30, 2004 consisted of the following:

DUE TO	DUE FROM
	SPECIAL REVENUE FUND
General Fund	<u>\$47,715</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

12) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2004, consisted of the following:

TRANSFERS TO	TRANSFERS FROM		
	GENERAL FUND	CAPITAL PROJECTS	TOTAL
		SINKING FUND	
Athletics Fund	\$174,310	\$0	\$174,310
Debt Retirement	0	120,000	120,000
<u>TOTAL</u>	<u>\$174,310</u>	<u>\$120,000</u>	<u>\$294,310</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them (2) move receipts restricted to debt service from the funds collecting the receipts to the fund servicing the debt as debt payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

13) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPSERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPSERS. That report may be obtained by writing to the MPSERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2003 through September 30, 2003 and 12.99 percent for the period October 1, 2003 through June 30, 2004 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2004, 2003 and 2002 were \$951,847, \$950,787 and \$879,141, respectively.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS pension plan discussed above.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

14) RISK MANAGEMENT

The District is exposed to various risks of losses in conducting its operations, from property and casualty, theft, damages to various tort and liability claims, and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

15) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principal of which is the Title I Grant. This program is subject to program compliance audits. The audit of this program for and including the year ended June 30, 2004, has been conducted and has been reported in this audit report. However, the compliance audit report has not yet been accepted by the grantor. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

REQUIRED
SUPPLEMENTARY
INFORMATION

BENDLE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$1,027,106	\$1,069,667	\$1,096,504	\$26,837
State Sources	10,937,507	10,344,339	10,028,849	(315,490)
Federal Sources	1,738,058	1,225,417	1,148,814	(76,603)
Total Revenues	<u>\$13,702,671</u>	<u>\$12,639,423</u>	<u>\$12,274,167</u>	<u>(\$365,256)</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	8,668,704	8,189,581	7,920,597	268,984
Student Services	700,451	812,306	804,655	7,651
Instructional Support	427,031	456,911	441,194	15,717
General Administration	299,036	309,396	293,531	15,865
School Administration	808,078	838,731	808,309	30,422
Business Administration	190,619	178,183	199,491	(21,308)
Operation & Maintenance of Plant	1,571,742	1,093,640	1,069,591	24,049
Transportation	205,480	199,094	190,289	8,805
Support Services - Other	83,527	22,436	19,839	2,597
Community Services	8,278	0	0	0
Total Expenditures	<u>\$12,962,946</u>	<u>\$12,100,278</u>	<u>\$11,747,496</u>	<u>\$352,782</u>
Excess of Revenues Over Expenditures	<u>\$739,725</u>	<u>\$539,145</u>	<u>\$526,671</u>	<u>(\$12,474)</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(302,240)</u>	<u>(515,238)</u>	<u>(240,065)</u>	<u>275,173</u>
Net Change in Fund Balance	<u>\$437,485</u>	<u>\$23,907</u>	<u>\$286,606</u>	<u>\$262,699</u>
<u>FUND BALANCE - BEGINNING</u>			<u>3,559,649</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$3,846,255</u>	

OTHER SUPPLEMENTAL
INFORMATION

BENDLE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2004

	School Service Fund	Debt Service Fund	Sinking Capital Projects Fund	Total Other Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$265,147	\$51	\$107,534	\$372,732
Due from Other Funds	47,715	0	0	47,715
Inventory	7,969	0	0	7,969
<u>TOTAL ASSETS</u>	<u>\$320,831</u>	<u>\$51</u>	<u>\$107,534</u>	<u>\$428,416</u>
<u>LIABILITIES</u>				
Accounts Payable	\$41,099	\$0	\$0	\$41,099
<u>FUND BALANCES</u>				
Reserved For:				
Inventory	7,969	0	0	7,969
Debt Retirement	0	51	0	51
Capital Projects	0	0	107,534	107,534
Unreserved:				
Undesignated, Reported In:				
School Service Fund	271,763	0	0	271,763
Total Fund Balances	\$279,732	\$51	\$107,534	\$387,317
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$320,831</u>	<u>\$51</u>	<u>\$107,534</u>	<u>\$428,416</u>

BENDLE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	School Service Fund	Debt Service Fund	Sinking Capital Projects Fund	Total Other Governmental Funds
<u>REVENUES</u>				
Local Sources	\$170,709	\$10	\$172,367	\$343,086
State Sources	14,736	0	0	14,736
Federal Sources	283,355	0	0	283,355
Total Revenues	<u>\$468,800</u>	<u>\$10</u>	<u>\$172,367</u>	<u>\$641,177</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>174,310</u>	<u>120,000</u>	<u>(120,000)</u>	<u>174,310</u>
Total Revenues & Other Financing Sources	<u>\$643,110</u>	<u>\$120,010</u>	<u>\$52,367</u>	<u>\$815,487</u>
<u>EXPENDITURES</u>				
Food Service	638,451	0	0	638,451
Debt Service				
Principal	0	85,000	0	85,000
Interest	0	34,900	0	34,900
Dues and Fees	0	134	0	134
Capital Projects				
Other	0	0	93	93
Total Expenditures	<u>\$638,451</u>	<u>\$120,034</u>	<u>\$93</u>	<u>\$758,578</u>
Net Change in Fund Balance	<u>\$4,659</u>	<u>(\$24)</u>	<u>\$52,274</u>	<u>\$56,909</u>
<u>NET ASSETS - BEGINNING</u>	<u>275,073</u>	<u>75</u>	<u>55,260</u>	<u>330,408</u>
<u>NET ASSETS - ENDING</u>	<u>\$279,732</u>	<u>\$51</u>	<u>\$107,534</u>	<u>\$387,317</u>

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
SCHOOL SERVICE FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2004

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$260,812	\$4,335	\$265,147
Due from Other Funds	47,715	0	47,715
Inventory	7,969	0	7,969
<u>TOTAL ASSETS</u>	<u>\$316,496</u>	<u>\$4,335</u>	<u>\$320,831</u>
<u>LIABILITIES</u>			
Accounts Payable	\$41,099	\$0	\$41,099
<u>FUND EQUITY</u>			
Reserved for Inventory	7,969	0	7,969
Unreserved and Undesignated	267,428	4,335	271,763
Total Fund Equity	<u>\$275,397</u>	<u>\$4,335</u>	<u>\$279,732</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$316,496</u>	<u>\$4,335</u>	<u>\$320,831</u>

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
SCHOOL SERVICE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$130,687	\$0	\$130,687
Athletic Activities	0	32,801	32,801
Interest	1,308	68	1,376
Other Local Sources	4,102	1,743	5,845
Total Local Sources	<u>\$136,097</u>	<u>\$34,612</u>	<u>\$170,709</u>
<u>State Sources</u>			
State Reimbursements	14,736	0	14,736
<u>Federal Sources</u>			
Federal Reimbursements	254,626	0	254,626
Commodities	28,729	0	28,729
Total Federal Sources	<u>\$283,355</u>	<u>\$0</u>	<u>\$283,355</u>
Total Revenues	<u>\$434,188</u>	<u>\$34,612</u>	<u>\$468,800</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	174,310	174,310
Total Revenues and Other Financing Sources	<u>\$434,188</u>	<u>\$208,922</u>	<u>\$643,110</u>
<u>EXPENDITURES</u>			
Salaries - Non-Professional	68,081	128,062	196,143
Fica, Retirement, Etc.	14,052	26,248	40,300
Purchased Services	13,151	23,342	36,493
Supplies and Materials	234,327	22,647	256,974
Capital Outlay	103,906	0	103,906
Other	350	4,285	4,635
Total Expenditures	<u>\$433,867</u>	<u>\$204,584</u>	<u>\$638,451</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	<u>\$321</u>	<u>\$4,338</u>	<u>\$4,659</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$275,076</u>	<u>(\$3)</u>	<u>\$275,073</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$275,397</u>	<u>\$4,335</u>	<u>\$279,732</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2004

REVENUES FROMLocal Sources

Property Tax Levy	\$781,957
Earnings on Investments and Deposits	14,046
Tuition - Latch Key and Adult Education	49,420
Medicaid Fee for Service	18,283
Bridges Grant	65,907
Other Local Revenues	166,891
Total Revenues from Local Sources	<u>\$1,096,504</u>

State Sources

State Aid - Foundation - Sec. 20	9,033,563
Headlee	309,672
At Risk	389,374
Adult Ed	131,300
Grants from ISD	26,600
Vocational Education	1,501
MI School Readiness	105,600
Driver Education	9,542
Other State Grants	1,260
Advanced and ACC Learning	227
Durant Funds	20,210
Total Revenues from State Sources	<u>\$10,028,849</u>

Federal Sources

Special Education - Preschool	24,559
Special Education Flowthrough	271,373
Improving Teacher Quality	125,654
Renovation Grant	(89)
Even Start	86,668
Technology Literacy	12,520
Other Grants from ISD	25,931
Comp School Reform	100,000
Title I	495,563
Title V	6,635
Total Revenues from Federal Sources	<u>\$1,148,814</u>
Total Revenues	<u>\$12,274,167</u>

OTHER FINANCING SOURCES

Transfers from Other Governmental Units	60,281
County Special Education Tax	81,887
Refund of Prior Year Expenditures	53,732
Total Other Financing Sources	<u>\$195,900</u>

TOTAL REVENUES AND OTHER FINANCING SOURCES

\$12,470,067

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

INSTRUCTIONBASIC PROGRAMSSouth Bendle Elementary

Salaries - Professional	\$703,041
Salaries - Non-Professional	23,140
Insurances	88,437
Fica, Retirement, Etc.	148,428
Supplies and Materials	48,427
Total South Bendle Elementary	<u>\$1,011,473</u>

West Bendle Elementary

Salaries - Professional	667,081
Salaries - Non-Professional	54,147
Insurances	115,823
Fica, Retirement, Etc.	145,953
Supplies and Materials	36,934
Total West Bendle Elementary	<u>\$1,019,938</u>

Friel Elementary

Salaries - Professional	68,115
Salaries - Non-Professional	1,800
Insurances	10,285
Fica, Retirement, Etc.	14,430
Supplies and Materials	753
Total Friel Elementary	<u>\$95,383</u>

Middle School

Salaries - Professional	866,161
Salaries - Non-Professional	41,210
Insurances	159,507
Fica, Retirement, Etc.	186,750
Purchased Services	78,813
Supplies and Materials	73,557
Total Middle School	<u>\$1,405,998</u>

High School

Salaries - Professional	749,659
Salaries - Non-Professional	23,894
Insurances	141,173
Fica, Retirement, Etc.	159,018
Purchased Services	3,503
Supplies and Materials	47,717
Capital Outlay	60,088
Total High School	<u>\$1,185,052</u>

Total Basic Programs

\$4,717,844

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

INSTRUCTION (Continued)ADDED NEEDSSpecial Education

Salaries - Professional	\$656,697
Insurances	87,535
Fica, Retirement, Etc.	135,543
Supplies and Materials	24,679
Total Special Education	<u>\$904,454</u>

Compensatory Education

Salaries - Professional	157,606
Salaries - Non-Professional	187,743
Insurances	20,569
Fica, Retirement, Etc.	71,269
Purchased Services	85,952
Supplies and Materials	121,657
Capital Outlay	1,996
Total Compensatory Education	<u>\$646,792</u>

Total Added Needs \$1,551,246

ADULT/CONTINUING EDUCATION

Salaries - Professional	844,376
Salaries - Non-Professional	241,368
Insurances	168,320
Fica, Retirement, Etc.	220,524
Purchased Services	141,159
Supplies and Materials	32,219
Capital Outlay	2,166
Other	1,375
Total Adult/Continuing Education	<u>\$1,651,507</u>

Total Instruction \$7,920,597

SUPPORT SERVICESSTUDENT SERVICES

Salaries - Professional	362,838
Salaries - Non-Professional	178,981
Insurances	55,959
Fica, Retirement, Etc.	109,649
Purchased Services	37,643
Supplies and Materials	59,585
Total Student Services	<u>\$804,655</u>

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

SUPPORT SERVICES (Continued)

INSTRUCTIONAL STAFF

Salaries - Professional	\$149,846
Salaries - Non-Professional	175,032
Insurances	31,573
Fica, Retirement, Etc.	67,034
Supplies and Materials	17,709
Total Instructional Staff	<u>\$441,194</u>

GENERAL ADMINISTRATION

Salaries - Professional	116,354
Salaries - Non-Professional	97,637
Insurances	18,288
Fica, Retirement, Etc.	41,048
Purchased Services	4,628
Supplies and Materials	6,745
Other	8,831
Total General Administration	<u>\$293,531</u>

SCHOOL ADMINISTRATION

Salaries - Professional	393,117
Salaries - Non-Professional	222,708
Insurances	67,034
Fica, Retirement, Etc.	125,450
Total School Administration	<u>\$808,309</u>

BUSINESS OFFICE

Insurances	5,945
Fica, Retirement, Etc.	44,275
Purchased Services	149,271
Total Business Office	<u>\$199,491</u>

OPERATION & MAINTENANCE OF PLANT

Salaries - Non-Professional	188,183
Insurances	31,848
Fica, Retirement, Etc.	38,225
Purchased Services	51,535
Supplies and Materials	645,138
Capital Outlay	114,352
Other	310
Total Operation and Maintenance of Plant	<u>\$1,069,591</u>

TRANSPORTATION

Salaries - Non-Professional	127,211
Insurances	14,640
Fica, Retirement, Etc.	23,289
Supplies and Materials	19,322
Capital Outlay	5,827
Total Transportation	<u>\$190,289</u>

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

SUPPORT SERVICES (Continued)

OTHER SUPPORT SERVICES

Salaries - Non-Professional	\$156
Fica, Retirement, Etc.	32
Purchased Services	18,976
Supplies and Materials	675
Total Other Support Services	<u>\$19,839</u>

Total Support Services	<u>\$3,826,899</u>
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<u>Total Expenditures</u>	\$11,747,496
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OTHER FINANCING USES

Transfers to Other Districts	261,655
Transfer to Other Funds	174,310
<u>Total Other Financing Uses</u>	<u>\$435,965</u>

<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$12,183,461</u>
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BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2004

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2003	RECEIPTS	DISBURSEMENTS	JUNE 30, 2004
Administrative	\$10,254	\$276,086	\$278,312	\$8,028
Adult Ed - L. Weiss Fund	0	1,019	0	1,019
Adult Ed Scholarship	0	1,206	350	856
Alumni Funds	4,585	1,982	0	6,567
Atlantis - Prom Committee	1,324	5,382	5,699	1,007
Atlantis - Student Gov.	1,346	906	283	1,969
Atlantis - Yearbook	0	3,086	1,303	1,783
B.E.A. Library Fund	2,844	0	0	2,844
BHS Scoreboard Fund	250	0	0	250
Boys Youth Basketball	85	630	684	31
C. Russian Memorial Fund	9,277	11,211	11,587	8,901
Class of 2003	1,982	0	1,982	0
Class of 2004	25	4,841	4,504	362
Class of 2005	536	8,806	6,353	2,989
Class of 2006	77	5,480	3,318	2,239
Class of 2007	0	8,503	7,446	1,057
Community Ed. - Misc.	7,961	490	4,080	4,371
Corbett Memorial Fund	1,519	79	0	1,598
H.O.S.T.S.	1,391	1,193	300	2,284
HS - Band	1,877	32	893	1,016
HS - Baseball	427	325	0	752
HS - Basketball - Boys	1,089	4,797	5,452	434
HS - Basketball - Girls	2,694	2,080	3,988	786
HS - Cheerleading	198	465	594	69
HS - Concessions	0	17,836	10,762	7,074
HS - Cross Country	59	0	0	59
HS - Dance Team	0	849	849	0
HS - Drafting	261	0	0	261
HS - Drama	480	0	0	480
HS - Football	0	11,223	8,881	2,342
HS - Gator Account	208	0	0	208
HS - Library Club	217	0	0	217
HS - Math Club	185	0	0	185
HS - Office	5,917	5,917	8,641	3,193
HS - Office Co-Op	24	0	0	24
HS - Power Lifting - Girls	305	0	0	305
HS - Quiz Bowl	6	0	0	6
HS - Softball - Girls	274	1,464	887	851
HS - Spanish Club	799	597	483	913
HS - Student Council	1,355	38	0	1,393
HS - Teachers Lounge	507	0	0	507
HS - Technology	105	0	0	105

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN

TRUST AND AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2004

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2003	RECEIPTS	DISBURSEMENTS	JUNE 30, 2004
HS - Teen Advisory Council	\$226	\$0	\$113	\$113
HS - Track - Boys	21	0	0	21
HS - Track - Girls	12	640	0	652
HS - Vocal Music	6	0	0	6
HS - Volleyball	1	2,105	1,403	703
HS - Wrestling	411	1,079	450	1,040
HS - Yearbook	3	1,670	1,670	3
L.K. Westgate Memorial Fund	418	0	0	418
L.M.E.	430	4,118	4,488	60
Marketing Program	1,050	0	0	1,050
Michigan Mystics Scholarship	5,000	0	0	5,000
MS - Band	4	0	0	4
MS - Cheerleaders	22	1,480	1,155	347
MS - Library Club	56	1,385	885	556
MS - N.J. Honor Society	178	0	150	28
MS - Office Activity	4,760	37,113	37,088	4,785
MS - Special Olympics	128	0	0	128
MS - Student Council	121	0	0	121
MS - Vocal Music	311	0	0	311
MS - Youth Advisory	42	188	187	43
National Honor Society	708	1,282	1,598	392
P. Ackerman Memorial Fund	335	0	0	335
Project Close Up	2,664	6,629	4,488	4,805
Projectionist Club/ SADD	40	30	47	23
S.A.D.D.	216	0	0	216
Service Learning	68	70	70	68
Shirley Card Memorial Fund	25	0	0	25
South Student Council	15,782	35,345	33,130	17,997
Unidentified Deposits	208	0	0	208
V. Jones Literacy Fund	500	0	0	500
West Library	0	144	0	144
West Music Boosters	0	844	457	387
West Office Fund	3,209	10,073	12,059	1,223
West Student Council	13,956	10,677	8,600	16,033
Wright Scholarship Fund	750	0	750	0
TOTALS	\$112,104	\$491,395	\$476,419	\$127,080

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2004

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$202,096

1998 DURANT RESOLUTION PACKAGE BONDS

<u>PAYMENT DATE MAY 15TH</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL FISCAL YEAR REQUIREMENTS</u>
2005	\$0	4.761353%	\$0	\$0
2006	9,782	4.761353%	4,410	14,192
2007	10,246	4.761353%	3,944	14,190
2008	47,235	4.761353%	19,736	66,971
2009	11,247	4.761353%	2,945	14,192
2010	11,782	4.761353%	2,409	14,191
2011	12,343	4.761353%	1,848	14,191
2012	12,930	4.761353%	1,261	14,191
2013	13,546	4.761353%	645	14,191
<u>TOTAL</u>	<u>\$129,111</u>		<u>\$37,198</u>	<u>\$166,309</u>

DATE OF ISSUE - May 1, 2001

Original amount of issue - \$990,000

2001 GENERAL OBLIGATION LIMITED TAX BONDS

<u>PAYMENT DATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST REQUIREMENT MAY 1</u>	<u>INTEREST REQUIREMENT NOVEMBER 1</u>	<u>TOTAL FISCAL YEAR REQUIREMENTS</u>
2005	\$90,000	3.90%	\$15,835	\$15,835	\$121,670
2006	95,000	4.00%	14,080	14,080	123,160
2007	100,000	4.10%	12,180	12,180	124,360
2008	105,000	4.20%	10,130	10,130	125,260
2009	115,000	4.30%	7,925	7,925	130,850
2010	120,000	4.40%	5,453	5,453	130,905
2011	125,000	4.50%	2,813	2,813	130,625
<u>TOTAL</u>	<u>\$750,000</u>		<u>\$68,415</u>	<u>\$68,415</u>	<u>\$886,830</u>

BENDLE PUBLIC SCHOOLS
BURTON, MICHIGAN
FEDERAL AWARDS
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2004

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Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

September 2, 2004

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Bendle Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bendle Public Schools, as of and for the year ended June 30, 2004, which collectively comprise the Bendle Public Schools' basic financial statements and have issued our report thereon dated September 2, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Bendle Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Bendle Public Schools, in a separate letter dated September 2, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bendle Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Bendle Public Schools, in a separate letter dated September 2, 2004.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

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September 2, 2004

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Bendle Public Schools

Compliance

We have audited the compliance of Bendle Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Bendle Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Bendle Public Schools' management. Our responsibility is to express an opinion on Bendle Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bendle Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bendle Public Schools' compliance with those requirements.

In our opinion, Bendle Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2004-1.

Internal Control Over Compliance

The management of Bendle Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Bendle Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



Bendle Public Schools
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September 2, 2004

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf P.C.

LEWIS & KNOPE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/ PASS - THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Title I Grants to Local Educational Agencies:	84.010		
ESEA Title I - Regular (02-03)		031530-0203	\$604,774
ESEA Title I - Regular (02-03) Carry Over		031530-0304	52,992
ESEA Title I - Regular (03-04)		041530-0304	442,570
Total Title I Grants to Local Educational Agencies			<u>\$1,100,336</u>
Innovative Education Program Strategies	84.298		
Title V (03-04)		040250-0304	6,635
Technology Literacy Challenge	84.318		
Technology Literacy Challenge (03-04)		044290-0304	12,520
Comp School Reform Demonstration	84.332		
Comp School Reform		031870-0304	100,000
School Renovation, Idea & Tech	84.352		
Renovation (03-04)		022410-1	399,911
Improving Teacher Quality	84.367		
Title IIA (03-04)		040520-0304	121,569
Title IIA (02-03) Carry Over		030520-0304	4,085
Title IIA (02-03)		030520-0203	136,204
Total Improving Teacher Quality			<u>\$261,858</u>
Total Passed Through Michigan Department of Education			<u>\$1,881,260</u>
Passed Through Genesee Intermediate School District:			
Special Education - Grants to States:	84.027		
IDEA Flowthrough (02-03)		040450-0304	271,373
Transition Services (03-04)		040490-TS	1,343
Total Special Education - Grants to States			<u>\$272,716</u>
Special Education - Preschool Grants:	84.173		
IDEA Preschool Incentive (03-04)		040460-0304	24,682
Safe & Drug Free Learning	84.184L		
Safe & Drug-Free Learning (03-04)		S184L020281-3	1,200
Safe and Drug-Free Schools and Communities - State Grants	84.186		
Drug-Free Schools (03-04)		042860-0304	2,200

ACCRUED (DEFERRED) REVENUE JULY 1, 2003	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENT IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2004
\$12,608	\$552,783	\$0	\$0	\$12,608	\$0
0	0	52,992	0	52,992	0
0	0	442,570	1	442,571	0
<u>\$12,608</u>	<u>\$552,783</u>	<u>\$495,562</u>	<u>\$1</u>	<u>\$508,171</u>	<u>\$0</u>
0	0	6,635	0	6,635	0
0	0	12,520	0	12,520	0
0	0	100,000	0	83,058	16,942
0	0	0	(89)	(89)	0
0	0	121,569	0	121,569	0
0	0	4,085	0	4,085	0
14,473	132,119	0	0	14,473	0
<u>\$14,473</u>	<u>\$132,119</u>	<u>\$125,654</u>	<u>\$0</u>	<u>\$140,127</u>	<u>\$0</u>
\$27,081	\$684,902	\$740,371	(\$88)	\$750,422	\$16,942
0	0	271,373	0	271,373	0
0	0	1,343	0	1,343	0
<u>\$0</u>	<u>\$0</u>	<u>\$272,716</u>	<u>\$0</u>	<u>\$272,716</u>	<u>\$0</u>
0	0	24,559	0	24,559	0
0	0	1,200	0	1,200	0
0	0	2,200	0	2,200	0

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/ PASS - THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Genesee Intermediate School District: (Continued)			
CM White Physical Fitness (Pep Grant)	84.215F		
CM White Physical Fitness (02-03)		S215F020310	\$15,003
CM White Physical Fitness (02-03)		S215F031137	4,000
Total CM White Physical Fitness (Pep Grant)			<u>\$19,003</u>
Total Passed Through Genesee Intermediate School District			<u>\$319,801</u>
Passed Through Carman-Ainsworth School District			
Even Start - State Educational Agencies	84.213		
Even Start (03-04)		040390	<u>86,668</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			<u>\$2,287,729</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
Food Distribution	10.550		
Entitlement Commodities		N/A	24,461
Bonus Commodities		N/A	4,268
Total Food Distribution			<u>\$28,729</u>
School Breakfast Program	10.553	N/A	52,489
School Snack Program	10.555	N/A	5,350
National School Lunch Program	10.555	N/A	<u>196,787</u>
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			<u>\$283,355</u>
<u>U.S. DEPARTMENT OF LABOR</u>			
Passed Through Genesee Intermediate School District:			
WIA Title I Year Round Youth Services (02-03)	17.259	007-K-03	450
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Genesee Intermediate School District			
Teen Pregnancy Prevention	93.596		
Teen Pregnancy Prevention Project (02-03)		20030844	16,961
Medical Assistance Program Title XIX	93.778		
Medicaid Outreach Claims (03-04)		N/A	<u>15,376</u>
<u>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			<u>\$32,337</u>
<u>TOTAL FEDERAL AWARDS</u>			<u>\$2,603,871</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2003	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENT IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2004
\$0	\$8,852	\$6,151	\$0	\$6,151	\$0
0	0	4,000	0	4,000	0
\$0	\$8,852	\$10,151	\$0	\$10,151	\$0
\$0	\$8,852	\$310,826	\$0	\$310,826	\$0
0	0	86,668	0	74,088	12,580
\$27,081	\$693,754	\$1,137,865	(\$88)	\$1,135,336	\$29,522
0	0	24,461	0	24,461	0
0	0	4,268	0	4,268	0
\$0	\$0	\$28,729	\$0	\$28,729	\$0
0	0	52,489	0	52,489	0
0	0	5,350	0	5,350	0
0	0	196,787	0	196,787	0
\$0	\$0	\$283,355	\$0	\$283,355	\$0
0	0	450	0	450	0
6,244	21,750	0	(4,789)	1,455	0
0	0	15,376	0	15,376	0
\$6,244	\$21,750	\$15,376	(\$4,789)	\$16,831	\$0
\$33,325	\$715,504	\$1,437,046	(\$4,877)	\$1,435,972	\$29,522

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

<u>FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF</u> <u>EXPENDITURES OF FEDERAL AWARDS</u>	\$1,437,046
<u>Less: Adjustment</u>	<u>(4,877)</u>
<u>TOTAL</u>	<u>\$1,432,169</u>

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS PURPOSE

General Fund	\$1,148,814
School Service Fund	<u>283,355</u>
<u>TOTAL</u>	<u>\$1,432,169</u>

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 7 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.
- 4) An adjustment of \$89 was made to the Renovation Grant (CFDA 84.352) by the State of Michigan.
- 5) An adjustment of \$4,789 was made to the Teen Pregnancy Prevention Grant (CFDA 93.596) due to the receivable being overstated in prior year.

BENDLE PUBLIC SCHOOLS - BURTON, MICHIGAN
RECONCILIATION OF FORM R 7120 " GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Current Payments Per the Grant Section Auditor's Report (Form R 7120)		\$1,014,590
<u>Less:</u> State Funded Grants		
Driver Education		(9,542)
<u>Add:</u> Grants Passed Through Genesee Intermediate School District:		
Special Education - Grants to States (CFDA 84.027)	\$272,716	
Special Education - Preschool Incentive (CFDA 84.173)	24,559	
Safe and Drug Free Learning (CFDA 84.184L)	1,200	
Safe and Drug Free Schools and Communities - State Grants (CFDA 84.186)	2,200	
CM White Physical Fitness - Pep Grant (CFDA 84.215F)	10,151	
Medicaid Outreach Claims (CFDA 93.778)	15,376	
Total Grants Passed Through Genesee Intermediate School District		326,202
 Amount Passed Through Carman-Ainsworth School District:		
Even Start (CFDA 84.213)		74,088
 Amount Passed Through U.S. Department of Health and Human Services:		
via Genesee Intermediate School District		
Teen Pregnancy Prevention (CFDA 93.596)		1,455
 Amount Passed Through U.S. Department of Labor:		
via Genesee Intermediate School District		
WIA Title I Year Round Youth Services (CFDA 17.259)		450
 Entitlement and Bonus Commodities (CFDA 10.550)		28,729
 <u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF</u> <u>EXPENDITURES OF FEDERAL AWARDS</u>		<u>\$1,435,972</u>

BENDLE PUBLIC SCHOOLS- BURTON, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☒ Yes ☐ No

Identification of major programs:

CFDA Number(s)
84.010

Name of Federal Program or Cluster
Title I Grants to Local Educational Agencies

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Qualified as low-risk auditee?

☒ Yes ☐ No

BENDLE PUBLIC SCHOOLS- BURTON, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

2004-1) Title I (CFDA #84.010)

<u>Specific Requirement:</u>	Allowable Cost/Cost Principles.
<u>Condition:</u>	The District did not complete the time certifications required for employees working solely on a single Federal award or cost objective.
<u>Criteria:</u>	The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".
<u>Effect of Condition:</u>	Salaries and wages charged to the program could be disallowed.
<u>Cause of Condition:</u>	The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for time certification.
<u>Recommendation:</u>	The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Management Response:</u>	The District will develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Questioned Cost:</u>	None.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings.



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

September 2, 2004

To the Board of Education of
Bendle Public Schools

In planning and performing our audit of the financial statements of Bendle Public Schools for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Bendle Public Schools' ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

The following items of immaterial internal control or administrative consideration came to our attention.

CURRENT YEAR FINDINGS

1. Budgets and Budgetary Accounting

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2004, Bendle Public Schools incurred expenditures in certain budgetary funds, which were in excess of the amount appropriated.

2. Time Certifications

The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".

The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.

3. Food Service

We recommend that the District implement a prepaid/accrual system for students who pre-pay for lunches using their lunch debit cards. The District should not use the ala-carte line item to reconcile for these funds received, since ala-carte and prepaid lunches should be accounted for on separate line items in the food service reconciliation report.

4. Time Sheets

In the course of our testing, we found some employee timesheets were not signed as approved by a supervisor, but the employee was still paid.



Bendle Public Schools
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September 2, 2004

FUTURE ISSUES

1. Chart of Accounts

As you may be aware of, the Center for Educational Performance and Information (CEPI) has implemented a new upload application/database for financial reporting for districts. This new application/database is called the Financial Information Database (FID). For the fiscal year 2003 – 2004 you will be required to submit your financial data via the FID. The EDN/Form B submission process has been eliminated and is no longer available. The due date for the 2003 – 2004 FID submission is November 15, 2004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Bendle Public Schools' Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Lewis & Knopf P.C.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS